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June 17, 2005

**BY HAND**

Gary Remondino  
Wireline Competition Bureau  
Federal Communications Commission  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

Re: *In the Matter of Applications for Consent to the Transfer of Control of  
Licenses and Section 214 Authorizations from AT&T Corp., Transferor, to  
SBC Communications Inc., Transferee, WC Docket No. 05-65*

Dear Mr. Remondino:

On June 14<sup>th</sup>, we provided certain of the clarifications requested by the Staff to the Response of SBC Communications Inc. to Information and Document Request Dated April 18, 2005. In this letter, we provide additional responses to the Staff's requests for clarification.

**Question:** The Staff asked us to identify the states comprising each region listed in Column C of Exhibit 3(a)(1)(i).

**Response:**

East: Connecticut

Midwest: Indiana, Illinois, Michigan, Ohio, and Wisconsin

Southwest: Arkansas, Kansas, Missouri, Oklahoma, and Texas

West: California and Nevada

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**Question:** In Exhibit 3(a)(5), we provided revenues and numbers of customers for resale by state for the twelve states for which SBC had the information readily available. The Staff asked us to identify the services SBC sold to those resellers.

**Response:** The following list represents the telecommunications services that SBC sells for resale as reflected in Exhibit 3(a)(5):

*Access Lines - Residence and Business*

- Flat Rated Service
- Message Rated Service
- Measured Rated Service
- Local Usage and Calling Plans
- Extended Calling Services (Mandatory and Non-Mandatory)
- Hunting
- Foreign Exchange Service
- Remote Call Forwarding Service
- Temporary Disconnect Service

*Directory Assistance and Listings*

*Payphone Services*

*Lifeline Services*

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*PBX and Centrex/Plexar<sup>®</sup> Services*

- Lines
- Stations
- Trunks, including Direct Inward Dial
- Features

*Vertical Services (e.g., Caller ID, Call Waiting, and 3-Way Calling)*

- Subscription
- Pay-Per-Use

*IntraLATA Toll*

- Per Minute
- Optional Calling Plans
- 800 and WATS Service
- Toll Restriction Service

*Private Line and Data Services*

- Analog Private Line
- ISDN Services: Basic Rate Interface (“BRI”) and Primary Rate Interface (“PRI”)
- DSO, DS1, and DS3
- OCn/SONET Services (e.g., OC3, OC12, OC48, and OC192)

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- GigaMan<sup>®</sup>, FibreMAN<sup>SM</sup>, OPT E MAN<sup>SM</sup>, and MON/MON Ring
- DecaMAN
- Customized Switched Metropolitan Ethernet (“CSME”)

**Question:** The Staff requested definitions or descriptions of certain of the services listed in Exhibit 3(c)(2) (as originally filed).

**Response:** The definitions the Staff requested for certain services are below:

**GMAN (or GigaMAN<sup>®</sup> Service)** is a dedicated, fiber-optic, point-to-point gigabit Ethernet service that links local area networks (“LANs”) within a metropolitan or regional area. GigaMAN service transmits data at a rate of up to 1.0 gigabits per second – 22 times faster than DS3 service – across the street or across town. GigaMAN service uses the same transmission protocol as a LAN. With GigaMAN service, customers can achieve enterprise LAN speeds while transmitting data between sites.

The “X” in **OC3X**, **OC12X**, **OC48X**, and **OC192X** signifies that the circuit is part of a SONET Ring as opposed to a point-to-point circuit, for which there is no “X” suffix.

**Question:** The Staff requested that we add a column to Exhibit 3(c)(2) to identify the Metropolitan Statistical Areas (“MSAs”) using a particular numbering system.

**Response:** Attached is a revised Exhibit 3(c)(2) with a column for “MSA Code,” in which the MSAs are numbered according to the requested system. Since we subsequently filed an Exhibit 3(c)(4) to update Exhibit 3(c)(2) with data for May 2005, we also are attaching a revised Exhibit 3(c)(4) with a column for “MSA Code.”

**Question:** The Staff requested that we provide capacity information in addition to the special access circuit types listed in Exhibit 5(a)(1) for circuit types such as “Program Audio” where the capacity is not inherent (as it is, for example, in an OC3 circuit).

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**Response:** The following information is provided to supplement the capacity and bandwidth data provided in our June 2 ex parte submission:

STN is offered on SONET facilities with a bandwidth of OC3 up to and including OC48.

**Frame Relay** and **Wide Area Telecommunications Service (“WATS”)** are generally offered on lines with capacities of DS3 or below.

**Relianet MAC** is a SONET-based service with configurations ranging from OC3 to OC48; this service is offered at OC3, OC12, and OC48 bandwidths.

**MON** customers can obtain multiple varieties of connections ranging from OC3 to OC192 off of a MON ring, as well as Ethernet interfaces and data storage applications.

Low-bandwidth **Video Services** are generally offered on DS1s, whereas high-bandwidth **Video Services** are usually provided over DS3 or OCn lines.

**Program Audio** is generally offered over circuits with a capacity of DS3 or below.

**Question:** The Staff has asked for clarifications and additional data regarding Specifications 8.b(1) and 8.b(2). The questions concern the amount and type of traffic that traverses SBC’s existing Internet Backbone. Specifically, for each of Dialup, DSL, and Dedicated Internet Access (“DIA”) services the Staff requested that we provide the number of customers (or units), revenue, and circuit capacity provided to these customers for the final month of each quarter from the first quarter of 2004 through the first quarter of 2005. The Staff further requested that, to the extent possible, these data be broken down by class of customer (residential, small business, enterprise, ISP, and hosting).

**Response:** SBC is providing below the number of customers and the revenues earned from customers that purchased access to the Internet Backbone from SBC Internet Services, Inc. (“SBCIS”) during the final month of each quarter from the first quarter of 2004 through the first quarter of 2005. To the extent the data are available or can be reasonably estimated, SBCIS has broken the data out by customer class as requested by the Staff. SBCIS is able to provide this level of detail for residential and business

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customers. However, the various distinctions among business customers the Staff has requested are not used by SBCIS for billing and do not affect how service is provisioned. Accordingly, this level of detail typically is not maintained by SBCIS and is not available for any historical information. Nevertheless, to the limited extent such detail was available in SBCIS's records, we have provided it or provided reasonable estimates of how customers and revenues may be allocated across these categories.

Customer Class and Product Sold	Number of Customers or Units†					Revenue†††				
	1Q04	2Q04	3Q04	4Q04	1Q05	1Q04	2Q04	3Q04	4Q04	1Q05
<b>Dialup Total</b>										
Residential										
Total Business										
Small Business										
Enterprise/Global										
Out of Region										
Other										
<b>DSL Total</b>										
Residential										
Total Business						[REDACTED]				
Small Business										
Enterprise/Global										
Out of Region										
Other										
<b>DIA Total</b>										
Residential										
Small Bus.*										
Enterprise/Global**										
ISP***										

† Number of Customers data for Dialup and DSL were provided from SBCIS's Oracle Financial database.

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†† Customer class breakdowns were not available for these months due to database migration and CRM application issues. Therefore, these numbers were estimated based upon an historical churn rate of [REDACTED]%.

††† Revenue data for Dialup and DSL were provided from SBCIS's MR2000 database.

\* In the ordinary course of business, SBCIS does not track the number of its customers that are small business customers or the revenue generated from these customers. For purposes of this response, small business is comprised of SBCIS's Value and Signature accounts. Estimated numbers based upon SBCIS's best estimate suggest that this customer class accounts for [REDACTED]% of DIA customers and revenue. Based upon historical data from 2004 and 2005 and assumptions that most customers under 1.5 Mbps are small business customers.

\*\* In the ordinary course of business, SBCIS does not track the number of its customers that are Enterprise or Global customers or the revenue generated from these customers. Estimated numbers based upon SBCIS's best estimate suggest that this customer class accounts for [REDACTED]% of DIA customers and revenue. This class is comprised of all customers that were not estimated to be small business customers or ISPs.

\*\*\* In the ordinary course of business, SBCIS does not track the number of its customers that are ISPs or the revenue generated from these customers. SBCIS, however, is able to estimate that [REDACTED]% of its revenues comes from ISPs that purchase DIA. Therefore, in order to approximate the number of SBCIS's DIA ISP customers, one could estimate that [REDACTED]% of SBCIS's largest customers are ISPs. Accordingly, the customer count estimates for DIA assume that [REDACTED]% of DIA customers are ISPs and that these numbers should be carved out of the Enterprise and Global category.

**Capacity:** The Staff has asked SBC to provide the total capacity of circuits connecting different classes of customers to the Internet Backbone. To the extent the Staff is seeking information for circuits connecting customers to the Internet Backbone, SBC's answers have focused on the circuits that are dedicated to connecting Dialup, DSL, and DIA customers, to the Internet Backbone. But these circuits do not connect directly to end-user premises. As explained more fully below, these circuits are shared by all of SBC's customers regardless of class and are not allocated to specific customers or classes of

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customers. Therefore, from a business perspective and from a network engineering perspective, it does not make sense to discuss the allocation of circuits that connect customers to the Internet Backbone.

Moreover, for Dialup and DSL, the circuit in question is simply a local loop that connects end users to SBC's network and routers. At that point, the traffic is aggregated before being transferred to the Internet Backbone, and there is no distinction made in class of customer. For DIA customers, there are different size "pipes" connecting customers to the SBCIS POP, but there is a distinction between the connection that an individual customer buys and the capacity that SBCIS has to connect DIA customers to the Internet Backbone. Again, once DIA traffic reaches SBCIS's POP or its dedicated router, the traffic is aggregated and the total DIA capacity is shared among all classes of customers. Furthermore, the capacity connecting DIA customers to the Internet Backbone is engineered to allow customers full access to the purchased bandwidth.

Finally, to the extent that the Staff is not requesting the circuit capacity connecting SBCIS's DIA customers to the Internet Backbone, but rather is actually requesting the capacity for the different circuits connecting DIA customers to SBCIS's network, that information is provided in the attached Exhibit 8(b)(1-2). As noted above, SBCIS does not segregate DIA customers into residential, small business, and enterprise categories. Therefore, no historical data exists as to these classifications or the different circuits that individual customers have purchased. In other words, SBCIS cannot be sure whether all of the DIA customers ordering OC3s are enterprise customers. Therefore, SBCIS cannot provide the level of detail requested by the Staff. The Staff, however, may be able to draw some generalizations based upon the data that has been provided. For instance, SBCIS has attempted to estimate the number of its DIA small business customers. In the first quarter of 2004, there were approximately [REDACTED] DIA small business customers. Although this information will not be precise, as an approximation, one could look at the smallest [REDACTED] circuits purchased by DIA customers as an approximation for the circuit capacity purchased by DIA small business customers.



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**Dialup:** For Dialup, the total number of customers that can be supported is based upon the number of channels per circuit and not bandwidth. As we stated on page 71 of our initial response, SBCIS has a total of [REDACTED] channels available to connect Dialup users to the Internet Backbone. However, we cannot provide more granular information for two reasons. First, SBCIS does not track whether its Dialup users are residential, small business, or enterprise customers. Second, Dialup capacity is not allocated across any customer class by SBCIS. Customer data transmissions are simply routed to the first available circuit for transmission.

**DSL:** The company does not assign or allocate residential or business customers to separate or specific portions of its DSL bandwidth. For example, in March 2005, SBCIS had [REDACTED] Mbps of bandwidth of deployed collector circuit capacity for DSL. In connecting to the Internet Backbone, each customer is assigned to one of these circuits, depending on what POP they are coming into and depending on the available circuit. Accordingly, all circuits are available to all classes of customers at any given POP; there is no allocation of capacity to any given class of customers, nor is there any way to measure how much capacity any given group of customers uses.

**Question:** Were the circuits listed on page 95 of the response to Specification 8.d for the Dedicated Internet Access (“DIA”) forecast for private line or special access?

**Response:** Each of these circuits is purchased from a federal interstate tariff and is special access. Accordingly, these forecasts are based upon SBCIS purchasing special access transport to provision DIA.

In reviewing its answer to Specification 8.d and the DIA forecasts for 2005 and 2006, SBC realized that these charts contained data errors. In 2005, the total forecasted numbers were correct, but the OCx numbers were incorrect. SBCIS anticipates [REDACTED]% of its sales will come from the OC product set, the formula that was used in creating the chart incorrectly used [REDACTED]% instead of [REDACTED]% and, therefore, the entries for the OCx line were incorrect. The updated charts also correct several rounding errors in 2006.

The correct numbers are listed below.

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**2005 DIA Unit Forecast**

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
T-1 Frame Relay												
ATM												
OCx												
Total												

**2006 DIA Unit Forecast**

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec
T-1 Frame Relay												
ATM												
OCx												
Total												

**Question:** The Staff noted that our response to Specification 13.b indicated that the proper geographic market definitions for broadband Internet Access for mass market customers and for Dedicated Internet Access for business customers and ISPs are local. The Staff requested market share information for those services that corresponds to the geographic market definitions or, in the alternative, customer counts for those services at the local market level.

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**Response:** On pages 3-22 of Exhibit 13(b)(6) of our original response to Specification 13.b, we submitted market share data for Broadband Internet Access for Mass Market Consumers for 20 MSAs within SBC's service territory. These data include estimated shares for each provider in those MSAs for cable modem service and DSL service, treated separately. Because the relative shares of cable modem service and DSL in each MSA also were provided, approximate overall market shares can be calculated for each of the twenty localities. Because the study does not include shares of fixed wireless, 3G CMRS, personal area network, fiber-to-the-home, satellite, or broadband over power lines providers, the shares of each DSL and cable modem service provider (including SBC) will be somewhat overstated.

We are also submitting as Exhibit 13(b)(7) a second market survey study that provides estimated shares among residential and small business customers for Internet service providers in 18 of the same 20 MSAs that were represented in Exhibit 13(b)(6). Results are provided first for SBC ILEC service areas as a whole (Column B) and then for SBC ILEC service areas in each of the four SBC regions (Columns D-G). Columns I through U then provide statewide shares within SBC local exchange areas. Columns W through BA have either city or state headings. The city columns provide shares in the SBC local exchange service area within those MSAs.<sup>1</sup> The state columns provide shares in the SBC local exchange areas in that state that are outside the listed MSAs for that state.

We did not submit this second survey previously because Exhibit 13(b)(6) is both more comprehensive (covering two more MSAs) and more reliable. Although both surveys interviewed approximately 300 households per MSA, the second survey has a smaller sample size of broadband consumers. First, a significant portion of the respondents (an average of 36.2%) were Dialup Internet Access customers. Second, a significant portion of the respondents (an average of 32.5%) had no Internet Access service at all. On average, then, the sample size of broadband customers in each MSA in

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<sup>1</sup> In a few cases (such as Dallas and San Francisco), the area surveyed is the CMSA (Dallas-Fort Worth and San Francisco-Oakland-San Jose).

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the second survey is under one third of the sample sizes reported in Exhibit 13(b)(6). As a result, the second survey has a larger margin of error than the first. Moreover, because the survey samples are drawn from customers with NPA-NXX in SBC local service areas, wireless-only customers are excluded from the surveys.

We have been unable to locate any additional studies with local market share information for broadband Internet Access by mass market customers or any for Dedicated Internet Access for business customers and ISPs. We have checked with everyone within SBC who we thought might be likely to have such data (as well as the people to whom they referred us). As for the Staff's alternative request for customer counts by local area for these products, SBCIS does not keep such data broken out by MSA in the ordinary course of business.

Please let me know if you have any questions regarding this submission or any other information SBC has provided related to this proceeding.

Sincerely,

A handwritten signature in black ink, appearing to read "B. J. Benison", written in a cursive style.

Brian J. Benison

Attachments **[REDACTED]**